

MANAGER'S BUDGET ADDENDUM #12



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Jon Cicirelli

**SUBJECT: COST BENEFIT OF BEST
GRANT PROGRAM SERVICES**

DATE: May 16, 2019

Approved

Date

5-16-19

BACKGROUND

At the Public Safety, Finance & Strategic Support Committee meeting on April 18, 2019, Vice Mayor Jones requested a financial cost-benefit analysis that measures the costs of delivering Bringing Everyone's Strengths Together (BEST) Grant Program services compared to apprehension and incarceration savings realized due to those investments.

ANALYSIS

As reported to the Committee, the City's Evaluation Consultant, Social Policy Research (SPR) Associates, found that BEST-funded services provided within a given San José police beat over an eight-year period were associated with decreases in gang incidents and youth arrests. Specifically, the evaluation showed that 1,000 units of service increase in a given police beat was associated with a 3.1 percent decrease in gang incidents and between a 1.6 to 1.8 percent decrease in youth arrests in the same beat. A unit of service is defined as one hour of services provided to one youth.

Cost of BEST Services

Given the variations in activity between beats, staff based its analysis on the estimated average cost of delivering 1,000 units of service under the BEST Grant Program in 2017-2018 (total amount of funding disbursed divided by total units of service delivered).

Average Cost of BEST Services (2017-2018)	
Total Amount of Funding Disbursed	\$2,514,495
÷ Total Units of Service Provided	160,667
= Average Cost per Unit of Service	\$15.65
x 1,000	
= Average Cost of 1,000 Units of Service	<u>\$15,650</u>

Estimated Economic Benefit of Reducing Gang Incidents and Youth Arrests

To estimate BEST services' economic benefits to society, staff used the SPR-determined average decreases in gang incidents and youth arrests per beat amount of 3.1 percent and 1.7 percent, respectively, per 1,000 units of service. Based on the limited data that are available, staff only estimated the gang incident-related costs to society as a means to illustrate the economic benefits of BEST services. With these baseline assumptions, staff reviewed and used several nationwide studies to estimate the economic benefits of reducing gang incidents, which are summarized below.

Staff calculated the "Estimated Average Cost of a Gang Incident" using the 2008 national average costs of homicide, rape/sexual assault, assault, and robbery as reported by McCollister, K.E., French, M.T., & Fang, H. (2010).¹ Costs in the study were divided into four components: Victim Costs (medical care costs, loss of earnings, property loss), Criminal Justice System Costs (legal and adjudication services, corrections programs-incarceration), Crime Career Costs (money an individual loses by engaging in crime rather than in legal activities), and Intangible Costs (pain and suffering). Staff conducted the cost-benefit analysis using this study because the authors reviewed other available crime-costing literature to present a comprehensive view of the costs of crime to society.

Estimated Saving from 1,000 Units of BEST Services	
Estimated Average Cost of a Gang Incident ²	\$303,699
x Average # of Gang Incidents Per Beat Per Year ³	3.8
= Estimated Average Annual Cost for Gang Incidents per Beat per Year	\$1,154,058
x Reduction of Gang Incidents per 1,000 Units of Service provided ³	3.1%
= Estimated Savings from Reducing Gang Incidents by 3.1%	\$35,776

Using the estimates in the above tables, staff is roughly projecting that by investing \$15,650 (on average) to deliver 1,000 Units of Service under the BEST Grant Program, the City may be able to affect economic benefits to society of up to \$35,776 per year. This level of service is what a typical police beat received over the last eight years. For the select few police beats that receive a much higher level of service, an investment of \$156,500 (on average) to deliver 10,000 Units of Service under the BEST Grant Program may result in economic benefits to society of up to \$357,760 per year.

This analysis is presented to conceptualize the potential magnitude of the economic benefits to society that may be realized by allocating additional BEST Grant Program funding to increase the units of service provided to the San José community. Due to the limited available data, these calculations only consider reducing certain types of gang incidents, and do not project possible

¹ McCollister, K.E., French, M.T., & Fang, H. (2010). The Cost of Crime to Society: New Crime-Specific Estimates for Policy and Program Evaluation. *Drug and Alcohol Dependence*, 108(1), 98-109.

² See Attachment A for detailed calculations on adjusting this estimate to a more current, local number.

³ As reported by Social Policy Research Associates in the BEST Annual Evaluation Report, *Preventing Gang-Related Crime in San José: An impact and implementation Study of San José's Bringing Everyone's Strengths Together*, 2019.

economic benefits for other types of incidents, such as youth arrests or other types of harm reduction, in which BEST services also have an impact. Furthermore, the analysis did not include economic benefits of improved engagement with schools, improved connection with the community, or other positive outcomes that the BEST Grant Program seeks to provide participants.

It is important to note that the estimated economic benefits to society are based on data and studies that can only offer preliminary assessments based on nationwide averages that do not reflect local conditions. For these reasons, the cost-benefit estimates presented in this memorandum should only be used as a preliminary point of reference that leads to further discussions and study involving a more scientific assessment of San José's unique programs and circumstances.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office.

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JON CICIRELLI
Acting Director of Parks,
Recreation and Neighborhood
Services

For questions, please contact Neil Rufino, Deputy Director of Recreation and Community Services, (408) 535-3572.

Attachment A

In order to better reflect the local implications of the McCollister study, staff adjusted the nationwide average cost for an incident by first adjusting for regional costs by comparing the national Consumer Price Index to the San Francisco-Oakland-Hayward, CA Consumer Price Index, and then multiplying the 2008 national average cost of a gang incident by the difference.

2008 Local Costs of Gang Incidents

Crime	2008 National Average Cost to Society	Adjustment to San Francisco-Oakland-Hayward, CA Consumer Price Index
		<i>2008 National Average Cost x 1.1371</i>
Murder	\$8,982,907.00	\$10,214,463.55
Rape/Sexual Assault	\$240,776.00	\$273,786.39
Aggravated Assault	\$107,020.00	\$121,692.44
Robbery	\$42,310.00	\$48,110.70

Then, staff estimated the 2018 costs by multiplying the regionally-adjusted costs by the change in Consumer Price Index from 2008 to 2018, which was a growth of 30 percent.

Costs in 2018 Dollars

Crime	Regionally-Adjusted Costs 2008	Adjusted to 2018 Dollars
		<i>Regionally-Adjusted Costs x 1.30⁵</i>
Murder	\$10,214,463.55	\$13,278,802.61
Rape/Sexual Assault	\$273,786.39	\$355,922.31
Aggravated Assault	\$121,692.44	\$158,200.17
Robbery	\$48,110.70	\$62,543.91

Following the CPI adjustments, staff weighed the costs relative to the number of reported gang incidents in San José during 2018 by multiplying the number of incidents in each crime category by the average cost of each type of crime. The number of reported gang incidents are gang-related and gang-motivated incidents for individuals 24 years old and younger, as reported by the San José Police Department to the Mayor's Gang Prevention Task Force.

⁵ Federal Reserve Bank of St. Louis, Economic Research, <https://fred.stlouisfed.org/series/CUUSA422SA0>

San José Costs 2018

Crime	Regionally-Adjusted 2018 Costs	# of Youth Gang Crimes in San José 2018	Total Cost of Youth Gang Crime in SJ 2018
			Regionally-Adjusted 2018 Costs x # of crimes
Murder	\$13,380,947.25	2	\$26,557,605.23
Rape/Sexual Assault	\$358,660.17	0	\$0.00
Aggravated Assault	\$159,417.10	122	\$19,300,421.30
Robbery	\$63,025.02	34	\$2,126,492.98
Total	\$13,380,947.25	158	\$47,984,519.51

Then, staff divided the total cost of youth gang incidents in San José (\$47,984,519) by the total number of gang incidents (158) to get the average cost of a gang incident in San José during 2018 of \$303,699.

Average Cost of a Gang Incident in San José

Total cost of Gang Incidents in San José	\$47,984,519
÷ Total number of Gang Incidents in San José in 2018	158
= Average Cost of a Gang Incident in San José	\$303,699